

**STATEMENT OF
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VETERANS HEALTH ADMINISTRATION (VHA)
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
HOUSE COMMITTEE ON VETERANS' AFFAIRS**

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Good afternoon, Chairman Pappas, Ranking Member Mann, and distinguished Members of the Subcommittee. I am pleased to be here today to discuss VA's medical supply chain year-long response to the pandemic and our modernization efforts. Accompanying me are Mr. Phillip Christy, Deputy Executive Director, Acquisition, Logistics & Construction, VA's Office of Acquisition Logistics and Construction; and Mr. Andrew Centineo, Executive Director, Procurement and Logistics Office, VHA.

Before discussing our actions during the pandemic, I want to take this opportunity to thank you for the support of Congress, in particular the \$19.6 billion you provided through the Coronavirus Aid, Relief and Economic Security (CARES) Act. Without this support, VA would not have successfully put into action all the necessary arrangements to support our frontline staff and to assist our Veterans. Thank you, too, for the \$100 million you provided within the American Rescue Plan to facilitate the modernization of VA's antiquated supply chain system. I also want to acknowledge the support of your staff members, who engage with us on a regular basis to review our performance and actions and provide objective analysis and evaluation of our plans. Our plans are stronger, and we are better prepared through their efforts. In addition, I want to thank our VA health care staff and the VA staff behind the scenes, who continue to show up to fight this battle every day and who have helped keep our Nation's Veterans and their communities safer.

Introduction

The Veterans Health Administration (VHA) is proud to be leading the response to the COVID-19 pandemic alongside our Federal partners. Once it became evident COVID-19 was not contained in the U.S. and was spreading widely, the national response required greater focus on meeting the health care demand. VHA's response to COVID-19 demonstrated the strength and agility of an integrated health care system geographically distributed across the U.S. and operating as a single enterprise. Building on this strength, VHA played a leading role in the national response, a role significantly enhanced by the improvements to our readiness capabilities made possible by the CARES Act funding. The resources and flexibilities you provided enabled us to build resiliency into the VA internal supply chain when disruptions in foreign manufacturing of

Personal Protective Equipment (PPE) were exacerbated by increased worldwide market demand and supply challenges driven by the pandemic.

The Pandemic and VA's Medical Supply Chain

In response to COVID-19, prior to the declaration of the COVID-19 pandemic as a public health emergency under the Public Health Service Act, and a nationwide emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, VHA established the Healthcare Operations Center (HOC) as the fusion center for collecting, analyzing, planning and disseminating data and information to all stakeholders. The HOC became a key enabler to a Veteran Integrated Service Network's (VISN) ability to cross-level staff and materiel between VA Medical Centers, between VISNs and between our four VISN Consortia. A VISN Consortium is a partnership between multiple VISNs located in the same region of the country. VISNs formed consortia to foster collaboration among medical centers and to enhance operations and the delivery of health care to Veterans. To accomplish these goals, a consortium uses regional contracts, sharing FTEs and materiel, and joint networks for referring patients and conducting telehealth. VHA's COVID-19 response proved the VISN Consortium model is an effective component to VHA readiness.

Early in the response to COVID-19, VA identified the immediate need for national PPE asset visibility. VA's existing legacy system, a 50-year old inventory system, was unable to provide visibility into on-hand inventory and the usage – or burn rate – at each VA Medical Center. VA defined standards for reporting PPE inventory levels and burn rates; developed the methodology, standard operating procedures, and SharePoint site for data collection; and within 30 days, deployed an electronic dashboard. This dashboard, still in use today, provides enterprise-wide visibility of PPE on-hand inventory, burn-rates and projected demand, from the individual VA Medical Center level to enterprise-level.

To overcome the supply chain challenges VA increased the amount of critical medical materiel held at each VA Medical Center from 30 days to 60 days of supply. We also established Regional Readiness Centers, geographically distributed to support the four VISN Consortia. In doing so, we built resiliency into our internal supply chain to enable VHA to sustain continuous services to Veterans even when there are interruptions in support from the commercial supply chain. In the long term, the Regional Readiness Centers will support VHA preparedness for regional and national public health emergencies, including those secondary to national disasters (e.g., hurricane, flood).

Today, the Regional Readiness Centers are at the Initial Operating Capability stage, which means the capability is available in its minimum useful form. This includes initial and minimal implementation, operations, training, detailed staff and legacy VHA information systems and tools. We are leveraging the existing capability of the Defense Logistics Agency (DLA) and the Department of Health and Human Services via Interagency Agreements. There are nine interim warehouses in eight locations, supported by on-site and virtual personnel loaned from other divisions of the VHA Procurement & Logistics Office.

At full operational capability, VHA will have four Regional Readiness Centers, each aligned to a specific regional VISN Consortium. Two out of the four will be DLA owned and operated, while the other two will be DLA contractor-owned and operated. At end state, DLA will be responsible for the provision of personnel and equipment for warehouse operations, while VA will have dedicated staff to manage oversight and compliance, field support, analytics and metrics. We are also evaluating the proper information system to automate Regional Readiness Center operations.

VA also leveraged its buying power at every level, and today continues to use a blended strategy of facility local purchases, regional and national contracts, and non-traditional partnerships. Facility local purchases enable VA to acquire small amounts of materiel that are difficult to access with larger regional or national contracts vehicles. Regional contracts increase the likelihood of vendors bidding on requests for smaller quantities of PPE, which they find easier to source under current market conditions. Our national contracts allow us to obtain better pricing and, by contracting directly with manufacturers, improve supply chain security for products in exceptionally high global demand, such as N95 respirators.

Last year, through the diligence of VA's frontline safety officers and infection prevention and control professionals, VA identified counterfeit N95 respirators procured with government purchase cards at the VA Medical Center level. Counterfeit respirators are products falsely marketed and sold as approved by the National Institute for Occupational Safety and Health and may not be capable of providing appropriate respiratory protection to workers. We removed and sequestered the suspect devices from the supply chain and made the appropriate authorities aware of the discovery. To manage this risk, VA is limiting the sources of supply for N95 respirators to our Medical Surgical Prime Vendors and our national contracts with N95 manufacturers. The health and safety of Veterans and the staff who care for them continues as VA's number one priority. VA has adequate supplies of authentic N95 respirators to ensure the safety of our frontline health care employees.

These PPE supply chain challenges are not unique to VA. Due to the COVID-19 pandemic, we are experiencing the same challenges as every other hospital and hospital system in the country and the world. Even now, a year into the pandemic, the U.S. Food and Drug Administration continues to report that medical grade gloves of all types; examination, isolation and surgical gowns; and respirators, including N95 respirators, remain in short supply for the foreseeable future. As a result, VA anticipates it will remain at the U.S. Centers for Disease Control and Prevention (CDC) Contingency Capacity Strategy until global glove and N95 shortages end and the FDA removes PPE from its COVID-19 Device Shortage List.

To ensure that all components of the U.S. healthcare system, from private practitioners to large private sector healthcare systems to federal sector healthcare systems, including VHA, are able to acquire adequate levels of PPE, each U.S. healthcare sector must act responsibly and conservatively so as not to disadvantage the other sectors. The ability to source adequate PPE is not the same across the U.S. For instance, there are still multiple Battelle Critical Care Decontamination Systems (CCDS)

in operation across the U.S., decontaminating N95 respirators so they can be reused. Under the CDC Optimization Strategy, reuse of N95 respirators is done only when they are operating at the Crisis Strategy level.

Given there are sectors of U.S. healthcare still unable to acquire adequate PPE to allow them to operate above the crisis level, it is essential that the other US healthcare sectors, including the federal sector, continue to conserve PPE until such time as all of US healthcare can return together to conventional levels of use.

Moving forward, VA will identify the proper blend of organic, federal and commercial capabilities required to support health care readiness. We anticipate this will include Regional Readiness Centers and partnering and inclusion in Department of Defense (DOD) programs, including the Warstopper Program.

Modernization

VA's response to COVID-19 highlighted the shortcomings of the software and business practices supporting VA procurement, logistics and infrastructure operations, including a 50-year-old inventory system, separate procurement system, and multiple stand-alone systems to manage, property accountability, distribution and transportation. VA also uses multiple, stand-alone, systems to manage healthcare technology management and facility management, limiting enterprise visibility of assets and their respective readiness conditions.

Our modernization framework has three components: Modernized Systems, Strategic Sourcing and Improved Governance.

VHA is adopting the proven best practices of the DOD by continuing the journey to implement the Defense Medical Logistics Standard Support (DMLSS) information technology system to modernize and standardize our supply chain, property, healthcare technology and facility management business lines. This will allow us to manage the VHA supply chain in the way other integrated medical systems operate. In doing so, we will ensure clinicians have the supplies and equipment where and when they need them to enable clinicians to provide safe and high-quality care to our Veterans. VA completed the first DMLSS deployment at the James A. Lovell Federal Health Care Center on September 21, 2020 and is continuing deployment on an accelerated schedule this year.

VA is teaming with the DoD to combine VHA and DoD supply and equipment requirements to achieve greater economy of scale in contracting, resulting in significant opportunity for improvements in service delivery and cost avoidance.

By implementing DMLSS and standardizing our business practices, VHA leaders at every level will be able to capitalize on enterprise data and leverage new capabilities to drive insights into operations and enable evidence-based decision-making. This, too, offers significant opportunity for cost avoidance.

We will evaluate our success in modernizing our systems, sourcing and governance by measuring clinical customer satisfaction, order-fill rates, time definite delivery, total and aged backorders, Veteran-owned business and small business use, government purchase card use, cost avoidance achieved and improvements in internal controls.

Conclusion

VA is committed to providing high-quality health care to all Veterans during these unprecedented times. VA continues to monitor conditions to determine the safest and most beneficial actions that we can take to protect Veterans and our employees while continuing to provide the health care during this pandemic. Your continued support is essential to VA fulfilling this mission.